

**Top Secret**



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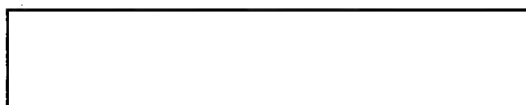


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EGYPT-ISRAEL: Al-Ahram editor Muhammad Hasanayn Haykal, in his weekly article yesterday, denounced a disengagement proposal he claims Israeli Defense Minister Dayan and Secretary Kissinger agreed on last weekend. Haykal's position appears deliberately overstated, but it probably reflects President Sadat's fear that any partial agreement on disengagement will mean the end of progress in the negotiations.

Without criticizing the US, and without specifically rejecting the alleged "proposal," Haykal condemned what he called Israel's strategy of negotiating a "partial solution" that would freeze the situation, deprive Egypt of the fruits of its military successes, and divide the Arab world. Haykal's reaction probably mirrors genuine misgivings among the Egyptian leadership that any disengagement arrangement that does not provide for further negotiations toward an overall settlement will constitute the final rather than the first stage of an Israeli withdrawal. This is a fear that was expressed during negotiations in 1971 on an interim Suez Canal agreement.

Haykal attributed to Dayan a plan that would move Israeli forces closer to the Sinai passes east of the Suez Canal, leave a lightly armed Egyptian force in a "strip" along the east bank, and place a UN force between the two sides. He represented the plan as a definite proposal, although it is in fact no more than an indefinite guideline at this stage.

Haykal also referred frankly to divisions in Arab ranks, indicating a fear of criticism that Egypt would receive from its neighbors if it agreed to a disengagement without a clear promise of further progress toward the goal of complete withdrawal by Israel from the occupied lands.

SOUTH VIETNAM: President Thieu plans to move ahead rapidly this month to secure adoption of some of the constitutional amendments he desires in order to strengthen the presidency. [REDACTED]

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[REDACTED] prior to the Tet holiday on January 23, he will present at least two amendments to the National Assembly. One of these would put off any election of province chiefs until after the current presidential term and the other would change the method of selecting Supreme Court justices.

Thieu is also considering an amendment permitting him to run for a third term in 1975, but he is [REDACTED]

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The President may have been persuaded that now is a good time to act because any opposition maneuvering is likely to be overshadowed by the Tet holiday period. He may also fear that if military and economic conditions deteriorate, his ability to push the changes through may diminish. However, Thieu characteristically moves slowly before making final decisions on such matters, and there could be further delays.

Until recently, Thieu reportedly had planned to wait until late this year to take any action on the amendments, but he apparently feels he is in a strong enough position now to go ahead with at least two of them.

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EAST GERMANY: Gerhard Beil, the vocal East German deputy minister for foreign trade, has stated publicly that the GDR is ready to welcome American participation in cooperative ventures both at home and in third countries and is eager to improve its trade relations with the US.

The possibility of joint ventures represents an extension of the GDR position on normalization of trade between the two countries presented by Beil during his visit to the US in November 1972. At that time he called for the establishment of diplomatic relations along with the reduction of US tariffs and other trade barriers--obstacles which still exist.

Despite Beil's recent efforts, the US share of GDR trade with the West--less than three percent--is unlikely to increase substantially in the near future. In recent years the GDR has negotiated with several major US firms, but no sizable contracts have resulted. Moreover, East Germany has not shown much interest up to this time in joint ventures, even with its more important West European trading partners.

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VENEZUELA: The Venezuelan Government is taking steps to capitalize on the country's petroleum resources during the energy crisis. The Caldera administration, with the agreement of President-elect Perez, has announced that all private oil companies will probably be nationalized before the scheduled date in 1983. The government has also ordered foreign oil companies to pay 18 percent of their royalties to the government in crude oil beginning on April 8. This would amount to about 100,000 barrels daily at current production levels. The Venezuelans may want to sell this crude at preferential prices to other Latin American countries or offer it on the world market in trade for needed commodities.

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EUROPEAN COMMUNITIES: Community relations, already strained by disagreements over energy policy and the regional development fund, will be further burdened by differences over agricultural policy. At issue are the desire of the French to increase certain subsidies and the probable linking of agreement on farm policy with French support for a compromise on the regional fund.

Paris has asked for an urgent meeting of EC agricultural ministers to discuss a French request to raise community beef prices by 10 percent. Although prices to consumers have not fallen, EC farmers are receiving less for their animals than they did last summer. Paris wants the community to compensate the producers, many of whom in France are supporters of the Pompidou government.

Paris is pushing the beef price issue at this time apparently in an effort to win price increases before community decisions are made on the EC's overall pricing policy for the coming marketing year. The Council will probably reach a decision on pricing policy by late March.

The EC has agreed to take up the French request at a Council meeting of agricultural ministers in Brussels on Monday. The meeting will coincide with a previously scheduled Council discussion of the proposed EC regional fund by the foreign ministers.

The West Germans now hope to resolve their dispute with Britain over the community's regional policy, primarily at French expense. Bonn is in favor of reducing the overall size of the proposed EC fund for development of poor regions and of tightening the requirements for recipients. The resulting allocations would give the British, Irish, and Italians a far larger share of a smaller fund and would make France a net contributor.

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A senior West German official noted that French opposition could be expected, because France has previously come out even or has gained financially by community policies. If the regional dispute remains unresolved, however, action in the agricultural area will also be stalled, according to the German official. This would place Paris in an uncomfortable position in view of French demands concerning beef.

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TURKEY: President Koruturk yesterday gave up his attempts to designate a prime minister and turned the task over to parliament, asking it to find a solution to the political stalemate that has left Turkey without a government for almost three months.

In a speech to the nation, Koruturk reluctantly concluded that the recent elections had produced a parliament apparently incapable of forming a coalition government. He dismissed the possibility of a minority government, noting that most political parties would not support it, and strongly suggested that parliament call for new elections and legislate electoral reform.

Parliament is unlikely to propose immediate new elections--which only the left-wing Republican people's Party favors. The political parties will now be under pressure to bury their differences and agree upon a coalition, but it will be a difficult

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Military officers have not commented publicly on the stalemate, and most indications are that they would be reluctant to intervene unless the caretaker government was unable to carry out its functions or public order broke down. Concern in the military was rising, however, even before Koruturk made his speech. The army is divided, not only on the need for intervention, but on which political faction it favors.

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ARGENTINA: President Peron is grappling with a potentially explosive labor dispute in the provincial capital of Cordoba that could test the mettle of his three-month-old government. The perennially troublesome interior city, the country's second largest industrial center, has become the focal point of conflict between Peron's handpicked national trade union leadership in Buenos Aires and leftist-controlled union elements in the province.

The immediate issue, a municipal bus strike that paralyzed the city and led to violence, has been resolved, but the accord appears tenuous. Enmity between the opposing labor forces has hardened, and the left appears headed for a showdown. The left-wing Peronist guerrilla organization--the Montoneros--is urging workers to take to the streets in defiance of the central labor headed by Peron's lieutenants. The militant statement by the Montoneros appears to signal an end to their patience with Peron's "rightist" policies and a shift toward outright opposition.

While Peron would like to eliminate Marxist and Trotskyist influence in Cordoba's unions and remove leftist sympathizers from the provincial government, he has been afraid that any precipitate action--such as federal intervention--would cause further conflict within his disparate movement.

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[REDACTED]

[REDACTED] A massive political uprising in Cordoba in May 1969 was instrumental in toppling General Ongania's regime, but Peron enjoys wide popular support and is not likely to be ousted even if there is more violence in Cordoba. The current crisis is another setback for his "National Unity" program, however, and should it worsen, Argentina's efforts to attract foreign investors, already alarmed by terrorist-inspired violence, would be damaged further. [REDACTED]

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CHINA: Former party secretary general Teng Hsiao-ping has been named to China's ruling Politburo and to the Military Commission, the party organization that sets military policy. Teng's nomination was probably put forth last month at the high-level meetings that decided on the recent transfer of military commanders.

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The assignment of Teng, a civilian, to the party's Military Commission is another in a series of moves designed to reassert civilian control over the military. Most members of the commission have been military men, and the few civilians named to the group in the past either had a military background or held a military position while on the commission. Teng has not been publicly identified with a military title, but it is possible that he will head the military's General Political Department, a post that has been held by a commander transferred out of Peking in the recent shift. The head of the General Political Department is, in effect, the military's top political commissar; several civilians have been named political commissars in recent weeks.

Teng's return to the Politburo, a position he lost during the Cultural Revolution, is a clear message to the party that once-disgraced officials who have been rehabilitated should be returned to positions of responsibility. The rehabilitation policy has caused anxiety among younger officials and military men who gained prominence during the Cultural Revolution and who view the returning veterans as a threat to their newly won positions. Their opposition has slowed the rehabilitation effort and is one reason why Teng, who was rehabilitated last April, was not restored to the Politburo

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at the party congress last summer. His return to the Politburo is another setback for the radical Madame Mao, who reportedly opposed Teng's rehabilitation and did not appear with him for nearly two months after his return.

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FOR THE RECORD\*

Middle East: Yesterday was marked by routine violations on both fronts. Tank and artillery fire was exchanged in the central and northern portions of the Suez Canal. Similar incidents have occurred in the south in the past few days. Radio Damascus claimed that Syrian units shelled Israeli engineer units in the central sector of the front and destroyed some of their equipment and artillery.

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USSR-India: The Soviets yesterday agreed to supply India with 1 million tons of kerosene and 100,000 tons of diesel fuel during 1974. Delivery is to begin immediately, with three shipments scheduled for this month.

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Japan: Japan's wholesale price index jumped 7 percent in December to a level 29 percent above December 1972. The energy crisis was the principal cause of the increase, the largest in a single month since October 1951.

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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